

Central Intelligence Agency



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DIRECTORATE OF INTELLIGENCE

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China: Efforts to Fulfill the Long-Term Grain Agreement

Since the end of November the Chinese have registered purchases of 670,000 tons of US grain for delivery against their LTA commitment for 1983, the third year of the agreement. Nearly all of that amount has been announced in small lots with the exception of the registration of 330,000 tons yesterday. [redacted]

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Sales registered with USDA for 1983 now total to the following:

Wheat	3.29 (million tons)
Corn	<u>1.38</u>
Total	<u>4.67</u>

Roughly 1.3 million tons therefore remain to be purchased to fulfill the 1983 LTA quota of 6 million tons before purchases begin to be applied to the 1984 quota. [redacted]

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[redacted] the Chinese purchased at least part of the remaining commitment before announcing in late November that they would fulfill the LTA. (It is common practice for the Chinese to buy quietly before announcing they are in the market and causing prices to rise.) [redacted] by late November the Chinese had purchased a total of 5 million tons for the 1983 LTA commitment (some of which would be delivered in early 1984.) [redacted] most of the entire 6 million tons had been purchased by that time. [redacted]

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This memorandum was prepared by [redacted] of the Office of East Asian Analysis in response to questions from the Office of the United States Trade Representative. Questions and comments are welcome and may be directed to the Chief, Domestic Policy Branch, China Division [redacted]

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[REDACTED] these purchases did not appear on USDA's registries because they were made through foreign subsidiaries which are not required to report the sales immediately. As shipping arrangements are finalized, however, the grain will be registered. [REDACTED]

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[REDACTED] it is likely that some of the purchases appearing on US books since 30 November represent a registering of former sales. The Chinese may wish to withhold registering all of the grain to try and keep prices depressed while finishing their purchases. Or more likely, Beijing will time the registrations for political gains, such as the announcement of the purchase of 330,000 tons yesterday, the first day of the Reagan-Zhao talks. If the Chinese consider the talks successful, more registrations are likely in the near future. [REDACTED]

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